



# The Spotlight

The Spotlight is a regular Q & A feature that showcases our people, their expertise, and trending topics that are on top of our clients' minds directly from the voices of our business leaders.



## Tomoyuki Yamashita, Associate Partner, APAC Executive Compensation, Head of Japan

Tomoyuki Yamashita is an associate partner and head of McLagan Japan, responsible for the overall consulting services and compensation survey businesses in the country. He is a trusted advisor to Japan-based financial organizations, advising on performance and reward, executive compensation, financial productivity and, short- and long-term incentive design.

### Questions and Answers

#### How are financial services firms competing for tech talent in Japan?

Japanese firms are looking for tech talent to accelerate their digital transformation and compete not only with international financial institutions, but also other industries. Japanese financial services firms now fully understand that they can't attract top digital talent with their longstanding seniority-based pay system. Therefore, we are starting to see firms rely on market compensation levels and technology firm HR practices, such as flexible work arrangements, agile workstyles, various benefits, and other perks, for hiring.

#### How do Japanese firms approach performance and reward?

Japanese financial firms are changing their performance and reward systems to mirror a more Western style. Formerly, YoY annual financial performance was the priority metric when deciding bonus pools. HR departments were fully involved with individual performance evaluation—even more than business line managers. Now, market payout levels for bonus pool decisions are being referenced more frequently and HR departments have begun delegating performance evaluation to the business.

#### If you could describe the financial services industry in Japan in three words, what would they be?

Potential, transforming, focusing.

#### Is there a universal challenge facing financial services firms in Japan? How is it being addressed?

Deciding how to govern their international businesses is one of the biggest challenges for Japanese firms. Global expansion is on the rise—between organic growth and purchasing parts of competitor businesses, Japanese firms are continuing to make acquisitions and penetrate other global markets. In fact, international businesses now represent more than 50% of consolidated revenue for some firms. As a result, Japanese firms are determining how to best manage and centralize their functions to create an effective governance system. Recent efforts include the introduction of a global grading system and payout ratio management.

#### What is your top piece of advice for financial services firms in this region for the future?

Firms should shift their focus to executive compensation in the near future. Compensation levels for global CEOs in Japan tend to be far lower than CEOs in the U.S. and Europe. However, considering the huge uptick in international business, firms should reevaluate their compensation levels and raise CEO pay in Japan. This will not only motivate global talent, but also build future leadership and help to attract outside talent to support the changing industry landscape. Determining a middle ground for compensation is crucial.